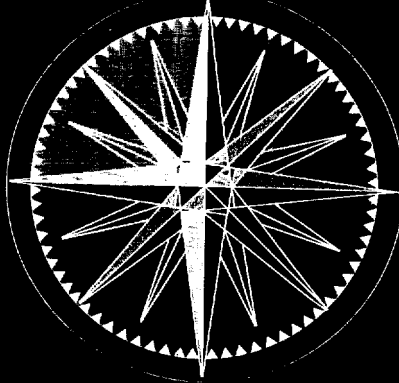


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20 August 1965

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WEEKLY SUMMARY

State Dept. review
completed

DIA review(s)
completed.

CENTRAL INTELLIGENCE AGENCY
OFFICE OF CURRENT INTELLIGENCE

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The most significant engagement to date between Viet Cong and US ground forces began on 18 August and terminated 19 August in northeast Quang Ngai Province. US Marines reportedly have inflicted heavy losses on the Viet Cong while suffering relatively light casualties themselves. There is evidence that some elements of a second North Vietnamese infantry division may have moved into South Vietnam.	
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RECENT SOVIET WHEAT PURCHASES AND THEIR IMPACT

Moscow is expected to finance a significant part of its contracts for importing seven million tons of Canadian and Argentine wheat by substantial withdrawals from its gold reserve.

Asia-Africa

UNCERTAINTIES FOLLOW SINGAPORE SECESSION

The secession has caused uncertainty over the future relationships of the parties affected, and Malaysia's internal stresses have increased.

PREMIER HOPEFUL ABOUT LAOTIAN GOVERNMENT STABILITY
Souvanna has won the support of National Assembly leaders for continuing his coalition government, although some cabinet reshuffling may be required.

SIHANOUK TO BEGIN EXTENDED TOUR NEXT MONTH
Sihanouk intends to visit several Communist and "friendly" countries, but does not appear to be planning any new diplomatic initiatives.

SPORADIC FIGHTING CONTINUES IN KASHMIR
Indian forces are still engaging Pakistani-trained infiltrators. Indian political reaction so far has been limited to canceling Indian-Pakistani talks on the Rann of Kutch.

AFGHANISTAN EXPERIMENTS WITH UNIVERSAL SUFFRAGE
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NASIR AND FAYSAL TO MEET ON YEMEN
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VIETNAM

The Military Situation
in South Vietnam

A search-and-destroy operation initiated on 18 August by two US Marine battalions about six miles south of Chu Lai has developed into the most significant engagement between Viet Cong and US ground forces to date.

One of the marine units executed an amphibious landing while the other landed by helicopter further inland in an attempt to encircle suspected enemy forces. The units are supported by US naval gunfire.

By nightfall the Marines, reinforced by four additional companies, had succeeded in encircling the enemy's defensive positions. The enemy unit has been identified as the 1st Viet Cong Main Force Regiment. Its strength is estimated to be approximately 2,000 troops.

Viet Cong losses are now officially estimated at 550, with 50 taken prisoner. Numerous weapons and supplies have also been captured.

US casualties have been officially reported as 52 killed and 204 wounded.

Otherwise, recent military activity in South Vietnam has been characterized by significant results from several Vietnamese Government operations and continued attempts by Viet Cong force units to avoid contact. Government troops are continu-

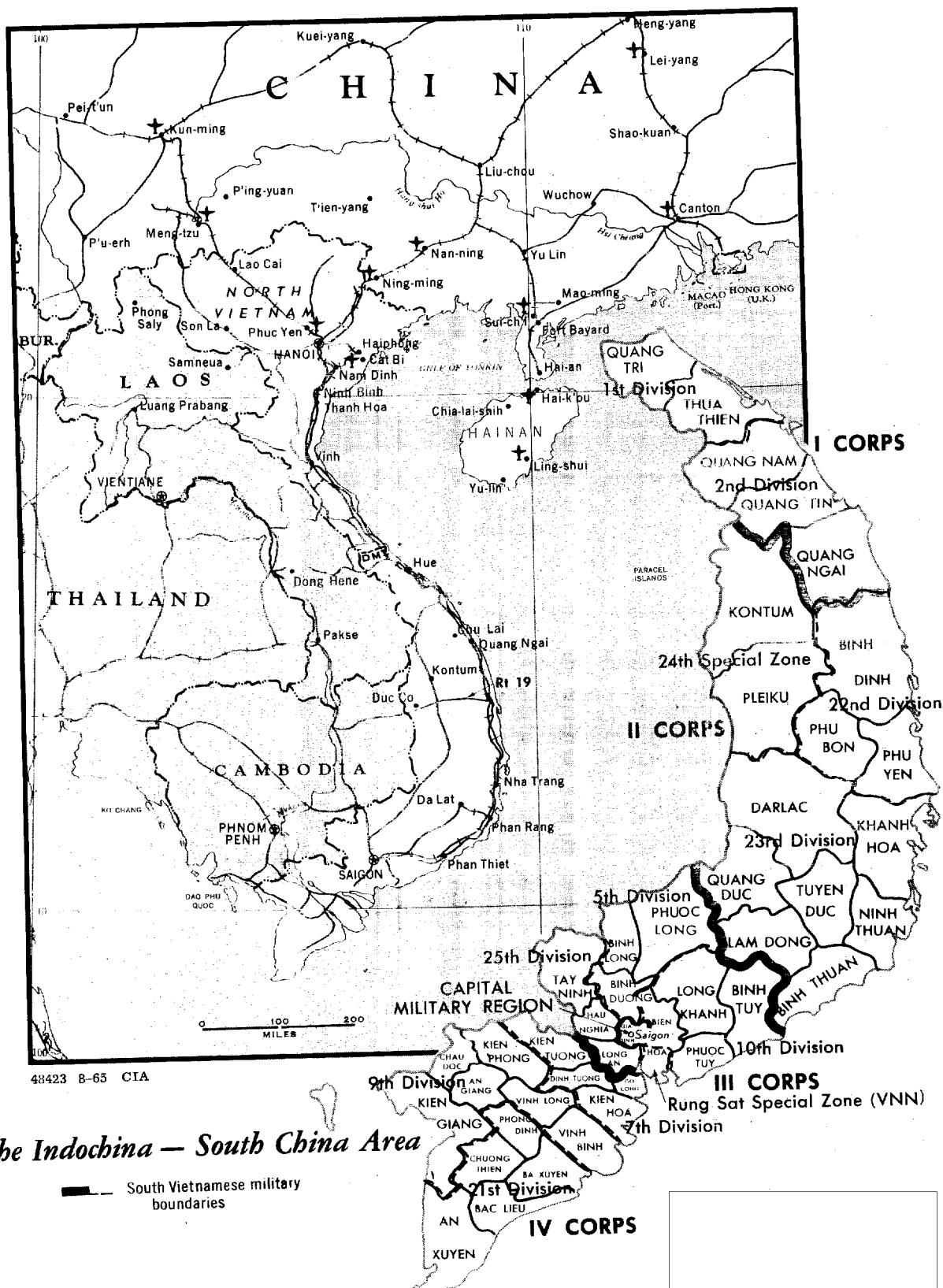
ing their clearing operation along Route 19 near the Duc Co paramilitary camp in Pleiku Province, although Viet Cong forces have successfully avoided a major engagement since the arrival of a large relief column at the camp on 11 August. Cumulative results of operations in the area since 3 August now total 434 Viet Cong killed and six captured, as against government losses of 59 killed and 109 wounded.

In Phong Dinh Province, information obtained from local inhabitants concerning the location of a Viet Cong battalion contributed to another successful government operation on 12 August. Government troops attacked the enemy force from four directions and, aided by close air support, killed 258 Viet Cong while sustaining only 58 casualties.

On 17 August, government ground forces in Quang Tri Province were also successful in making contact with an estimated 200 Viet Cong following a US B-52 Stratofortress bomber strike in the area on 13 August. In the ensuing activity, 71 Viet Cong were killed and sizable quantities of food, arms, and ammunition were seized by government forces, who suffered only light casualties.

US military authorities in Saigon reported that during the week ending 14 August, a total of 1,330 Viet Cong were killed--the highest number for any single week of the war--while government casualties were less than the

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total incurred during the previous week. Moreover, government troops during the same period captured more than twice as many weapons from the Viet Cong as were lost to the enemy.

The Political Situation
In South Vietnam

Premier Ky and several other top Saigon officials departed on 15 August for four-day visits to Taiwan and Bangkok. Although there are still few specific details concerning what Ky hopes to accomplish from this mission, he referred, on his arrival in Taipei, to the possibility of obtaining both economic and military aid, and to his desire for greater solidarity among anti-Communist Asian nations. He has also been quoted by the Taiwan press as having stressed the need to eliminate Communism from both North Vietnam and mainland China. The South Vietnamese have frequently pushed this theme over the past year and half.

Although Ky's absence from Saigon leaves at least a partial political vacuum, there continues to be no specific evidence of an impending power grab. Before departing, Ky publicly warned that the air force would act to quash any coup attempt, but he has shown little outward sign of concern.

Military Situation in the DRV

Two new SAM sites--the ninth and tenth--were uncovered by a drone reconnaissance mission of 12 August. Site 9, about six

miles east-southeast of Hanoi, consists of six launch revetments in a star-shaped configuration, a guidance revetment and three hold revetments. The site appears complete and is apparently operational. Site 10, about ten miles south-southeast of Hanoi, is apparently in the early stages of construction. Both installations lie inside the ring of five SAM sites established earlier around Hanoi.

The North Vietnamese are showing increased caution in the use of their SAM defenses in an effort to prevent their destruction by US air attack. In addition to taking advantage of the mobility of the SA-2 weapons, recently observed DRV tactics indicate that the SAM guidance radar, FAN SONG, is being turned on only when approaching target aircraft are getting close to or are within range of a SAM site. The effectiveness of these tactics is apparent in the unsuccessful attempts by US aircraft to locate and destroy SAM sites outside the Hanoi area on 13 August. About 60 sorties were flown but no sites were detected. Five US Navy aircraft were shot down by ground fire while searching for SAMs at low altitude.

Recently available information suggests that some elements of the North Vietnamese 304th Infantry Division may be in South Vietnam. The interrogation of nine prisoners captured at Dong Hene in south-central Laos discloses that seven of them were members of the 9th Regiment of the 304th.

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Three of them claim to have been told prior to their departure from the 304th garrison area at Ninh Binh that they were going to South Vietnam.

Although there has been no information concerning the presence of 304th Division elements in South Vietnam from Viet Cong or PAVN captives, it is possible that some elements of the 9th Regiment continued southward and may now be in South Vietnam.

Communist Political
Developments

North Vietnam emphasized its defiance of the US step-up in combat strength in South Vietnam last week in a statement by Ho Chi Minh, broadcast on 12 August. Ho stated flatly that the Vietnamese, faced with two roads, "either to fight until victory, or to consent to a slave's fate," had chosen the first. "We shall fight until complete victory," Ho said.

As if to emphasize that the US troop increase has not changed Hanoi's position on negotiations, Ho Chi Minh, in an interview with Le Monde, reaffirmed that the US must accept the DRV's four-point proposal before a settlement can be achieved. He further insisted that the US Government must "give tangible proofs" that it accepts the four-point stand, that the US must "immediately stop" the air attacks on North Vietnam, "stop forthwith" the war in South Vietnam, and "withdraw from there" all US troops and weapons.

He avoided committing himself to negotiations in case the US agreed to his demand for a

unilateral cease-fire in Vietnam, but his remarks to Le Monde serve to strengthen evidence that Hanoi is not insisting on the withdrawal of US troops as a precondition for starting talks.

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The Communist World

SIGNS OF INSTABILITY IN THE SOVIET LEADERSHIP

Tentative signs have recently appeared of deliberate attempts to discredit persons within the top Soviet leadership. This suggests that the power struggle expected in the wake of Khrushchev's ouster could be coming to a head.

Available information on the recent "leaking" to the West of Soviet economist A. G. Aganbegyan's mid-June critique of the Soviet economy raises the possibility that the "leak" was engineered by the Committee for State Security (KGB) with the presumed intention of discrediting advocates of liberal economic reform. Sharp differences have developed over economic policies not only among Soviet economists but also, apparently, among the top leaders. "Operation Aganbegyan," therefore, could be a maneuver in a Kremlin power struggle.

The most obvious high-level target is Premier Kosygin, though the evidence for his occupancy of this unenviable position is by no means conclusive. According to the Aganbegyan story by a British correspondent, Kosygin was so impressed with Aganbegyan's report that "he offered him the top job in Gosplan." This, however, is the only evidence at hand of a link between Kosygin and Aganbegyan. Furthermore, although the premier has been thought to view economic reform favorably, his statements suggest that he may not be too enthusiastic about it. Nevertheless, he could be more seriously committed to liberal reform than his public speeches indicate, since he must have provided at least some of the pressure for

current Soviet experimentation in economic liberalism.

If the Aganbegyan "leak" was in fact a planned operation, presidium member Shelepin seems the likely villain behind it because of his presumed--though unproven--control of the KGB. Although publicly echoing an earlier Brezhnev statement favorable to economic reform, Shelepin has at the same time made a strong appeal for discipline and control. This equivocal position could reflect the play-it-safe tactics of a political schemer not yet certain of the success of his machinations.

Rumors of a forthcoming shake-up at the highest levels of the Soviet leadership have been circulating for some time [redacted]

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[redacted] The degree of similarity among several of these rumors suggests they may have been planted with the purpose of influencing Kremlin relationships. Whether there is any direct connection between those rumors, the KGB, and "Operation Aganbegyan" cannot yet be determined.

The most common elements in the rumors discredit Brezhnev's abilities, and extol Shelepin's. Kosygin is most often portrayed as a good administrator, but not a contender for political power. The persistence of the Brezhnev-Shelepin descriptions suggests a deliberate attempt to discredit one or the other, or possibly both. At the moment there are no good clues to the identity of those behind the rumors. [redacted]

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RECENT CHANGES IN THE SOVIET HIGH COMMAND

The reappointment of Marshal Chuykov as head of the ground forces signals a resurgence of the influence of ground forces proponents in the Soviet military establishment and highlights several recent high command changes. A new No. 2 man in the general staff and a new head of the general staff academy have also been designated.

Marshal Chuykov put his return as commander in chief of ground forces in the context of a comeback for ground forces advocates in a conversation with the US Army attaché in Moscow. After revealing his resumption of the post within the past month and the re-establishment of the Ground Forces Headquarters, he

added that "some people thought they would do away with the ground forces, but they found out they couldn't do this."

Chuykov lost the ground forces post during a series of organizational changes in July 1964. He was apparently downgraded for strongly advocating the importance of ground forces and was left holding only his additional job of chief of civil defense. At the same time, his Ground Forces Headquarters was reorganized and some of its functions parceled out to ground elements of the general staff and to the main directorate of the newly created deputy minister of defense for combat training. During this period,



Commander-in-Chief of Ground Forces

Marshal of the Soviet Union V. I. Chuykov



New First Deputy Chief of the General Staff

General of the Army P. F. Batitskiy



New Chief of the General Staff Academy

General of the Army V. D. Ivanov

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Marshal Grechko reportedly was given command of the ground forces in addition to his duties as commander in chief of the Warsaw Pact Forces.

Within the last several weeks, 55-year-old General of the Army Pavel F. Batitskiy, long-time commander of the Moscow air defense district, has replaced 65-year-old General of the Army Vladimir D. Ivanov as first deputy chief of the general staff (for general affairs). Ivanov has been appointed chief of the general staff academy, a post apparently filled only by an acting chief, since Marshal Zakharov left it in November 1964 to replace

Marshal Biryuzov as chief of the general staff.

As the highest ranking general staff officer available, the aging Ivanov is a natural choice for the important academy post. The selection of Batitskiy for the No. 2 position on the general staff is interesting because both he and his predecessor Ivanov--although veteran ground forces officers--were air defense district commanders prior to their appointment. This suggests that an air defense background has become a requirement for the post of first deputy chief of the general staff. [REDACTED]

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PEIPING CONCERNED OVER POLITICAL ATTITUDES IN THE ARMY

The Chinese Communist regime has taken several steps recently to combat what it considers to be continuing unsatisfactory political attitudes among military personnel. Chief among these attitudes is the persistent reluctance of professional officers to accept Mao's theories of "revolutionary" army building as a replacement for modern concepts. Peiping has issued stern reminders to military personnel not to resist or even resent party domination--a perennial sore point with many officers.

On 1 August, the People's Daily, the party's theoretical journal Red Flag, and the Liberation Army Daily simultaneously published a long defense of the

history of Mao's efforts to impose party control over the army. The article, written by politburo member Marshal Ho Lung, admitted that from the first there had been stubborn "bourgeois" opposition to Mao Tse-tung's military ideas, and that the party had had to cope with such opposition "again and again."

In an allusion to former defense minister Peng Te-huai, dismissed in disgrace in 1959, and to the period of Soviet support of the modernization of the People's Liberation Army (PLA) from 1954 to 1960, the article said that for a time after the regime came to power in 1949, "a few persons who stuck to bourgeois views on military affairs came to the

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fore again and created trouble In the name of building a modern regular army, they advocated the abolition of the party committee system in the army, which in reality meant abolishing the leadership of the army by the party." This repetition of party concern over the PLA's interest in becoming a "modern regular army" is the most recent indication that elements within the PLA remain distressed by the withdrawal of Soviet support for the modernization of the army. Earlier indications of PLA disagreement with party policy toward the Soviet Union were contained in secret military documents captured in 1961, and in reports made to the National People's Congress last winter.

Mao's determination to restore the revolutionary image of the PLA and his implied dissatisfaction with officer attitudes were also indicated by the 1 June decision to abolish all formal military ranks and to remove all insignia from uniforms. Peiping explained that this decision, which marks a reversion to the system employed during the revolution, was necessary to make the army "more proletarian and militant." There have been several subsequent reports that this order was accompanied by an unpublished cut in pay, about half, for officers.

In mid-July, the regime also declared that it would in-

crease the already intensive level of political indoctrination given to officers above the regimental level. Senior officers were told to devote a part of every day to the study of Mao's writings and to apply his ideas more intensively in their daily work "to ensure that guns are always in the hands of reliable persons."

Peiping's concern implies that the numerous purges and continuous indoctrination drives conducted in the army by the party since 1960 have not been entirely successful. There is an apparently significant group of "professional" officers who believe that party interference is excessive and who probably disagree with Mao Tse-tung on a wide range of issues, including, in particular, his determination to quarrel with Moscow at the cost of losing military aid, his one-sided stress on guerrilla warfare, and his belief in the efficacy of a popular militia force.

The current measures to increase the "revolutionary purity" of PLA officers is likely to impair morale somewhat. However, this probably will not significantly affect current operational capabilities, and the PLA would almost certainly remain loyal to the regime in any confrontation with foreign forces. The military attitude toward the party, however, could be an important factor in any intraparty dispute that might develop after Mao Tse-tung's death.

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FIRST DESCRIPTION OF THE NEW SOVIET FIVE-YEAR PLAN

Soviet economists have begun to publicize the forthcoming five-year economic plan in terms that indicate the 1966-70 period will witness a continuation of recent trends. However, the basic question of the allocation of resources among industry, agriculture, defense, and the consumer has yet to be explicitly treated in the discussion.

Published articles state that the so-called "progressive" branches of industry--such as chemistry, power generation, advanced machine building, radioelectronics, and atomic energy--will continue to develop at rates faster than the average for all industry. Such priority growth for these industries is said to be justified on the grounds that their continued high productivity will spread throughout the economy. The articles also note that these industries have been selected for continued intensive development because much of their output during the next five years will be required to support the new agricultural program.

Within the chemical industry, the production of synthetic fibers, plastics, tires, and household chemical products will increase at more rapid rates than mineral fertilizers and pesticides. Oil and gas are slated to increase their relative share in the over-all fuel picture, and the high annual rate of growth of electric

energy achieved in recent years will be maintained through 1970.

In the machine building field, the emphasis will be on improving the quality, durability, and precision of the most advanced items produced. The discussion of the vehicle industry repeats Premier Kosygin's call of last March for the increased production of trucks and automobiles.

The articles only describe general projections for industry and do not include planned rates of growth, which probably have not yet been worked out. Discussion of the 1966-70 plan for agriculture has thus far been solely in terms of summarizing the extensive program announced last March. A better deal for the consumer is implied by the contemplated faster growth of the food and light industries, which are said to have a crucial role in closing the gap between the rates of growth of capital and consumer goods by 1970. The future requirements for defense have been noted so far as being met most economically by fostering the development of the technologically advanced branches of industry.

The recent articles commenting on the plan apparently are based on the same five-year plan draft. Although this draft will undoubtedly be revised before it is adopted later this year, public discussion of it now implies that the final plan will not differ appreciably from its present formulation.

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RECENT SOVIET WHEAT PURCHASES AND THEIR IMPACT

Moscow is expected to finance a significant part of its recent contracts with Canada and Argentina for the import of about seven million tons of wheat, worth approximately \$500 million, by substantial withdrawals from its gold reserve.

The USSR already has re-entered the gold market where it has not been active since mid-1964. This is its longest absence from the market since it began to sell gold regularly ten years ago to finance trade deficits. The prolonged absence reflects an effort to conserve gold reserves. The initial gold sale last week totaled \$35 million and the USSR is continuing its activity in the market.

The Soviet gold reserve had dropped to an estimated \$1.5 billion by the beginning of 1965 as a result of the heavy withdrawals to pay for extraordinary wheat purchases in 1963 and 1964. During those years Soviet gold sales, which had previously averaged about \$200 million per year, soared to over \$500 million annually.

Gold sales this year will reduce the impact of the current wheat purchases on other Soviet buying programs in the free world. The wheat imports will probably cause the USSR to con-

centrate on expanding exports to hard currency markets, and to continue to be highly selective in its imports of Western equipment and materials.

Purchases of chemical plants, intended largely to meet the longer range goals of increasing the availability of consumer goods, have just been stepped up. This trend probably will be less affected than procurement of other plants and equipment. The recently proposed acquisition of a major automobile production line from Western Europe, for example, presumably will be deferred for some time.

This is the third consecutive year that the USSR--once a net exporter of wheat--has bought sizable quantities. The disastrous agricultural failure in 1963 led to imports in excess of 11 million tons. Purchases following the 1964 harvest dropped to 3.5 million tons, more than a quarter of which was diverted to Cuba and Eastern Europe. Although a substantial quantity of the latter purchases have not yet been delivered, Soviet concern over the poor 1965 spring wheat crop led to the current purchases, even though final outcome of the harvest is still not known. Imports now have been scheduled through July 1966.

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Asia-Africa

UNCERTAINTIES FOLLOW SINGAPORE SECESSION

There is still considerable uncertainty over the future relationships of the various parties affected by Singapore's secession, and Malaysia's internal stresses have been increased.

pore has the sovereign right to maintain the military bases and installations of a friendly power for defensive purposes. Therefore, Singapore has no intention of requesting the removal of UK bases within the foreseeable future, although a new defense agreement with the UK will have to be negotiated.

The expressions of economic independence which followed the secession appeared to threaten a trade war between Malaysia and Singapore, but both sides have now assumed moderate positions. Upon secession, Singapore clamped quota restrictions on 185 Malaysian items, and goods began to pile up along the causeway connecting Malaya and Singapore.

Kuala Lumpur launched a campaign to "buy Malaysia," even if Malaysian goods cost as much as 10 percent more than foreign imports. The "buy Malaysia" theme eventually became less audible when Singapore's minister of finance, Lim Kim San, stated that trade relations with Malaysia were much more important to the survival of Singapore than a resumption of trade with Indonesia. Lim has promised that the Singapore Government will remove the quota restrictions on Malaysian goods within the next few days.

So far, Singapore has done nothing to justify Tunku Abdul Rahman's acrimonious admonitions against the establishment of diplomatic and trade ties with Indonesia. The Singapore Government has announced that it will make no effort along these lines until Djakarta recognizes Singapore as a sovereign state. Furthermore, the Lee government has made it clear that Indonesia must accept the fact that Singa-

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Chief Minister Stephen Kalong Ningkan of Sarawak and Chief Minister Peter Lo of Sabah have offered emphatic pledges to continue in the Malaysian Federation. Despite these assurances, however, separatist sentiments are pronounced in both states, partly because the people of Borneo have never closely identified themselves with the central government. Some resent-

ment derives from Kuala Lumpur's condescending attitude toward Sabah and Sarawak, and Kuala Lumpur's failure to consult with them about Singapore's withdrawal from the federation. Whether these factors will offset the decided economic and security advantages of federation membership is uncertain.

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PREMIER HOPEFUL ABOUT LAOTIAN GOVERNMENT STABILITY

Premier Souvanna appears hopeful about prospects for government stability in the wake of the recent National Assembly elections. In recent discussions with Assembly leaders, Souvanna has won support for a continuation of his coalition government, including the reservation of cabinet seats for the Pathet Lao. However, he may have to make concessions to the Assembly by reshuffling some of the other portfolios.

The Pathet Lao seem disposed to avoid a major confrontation over the new government.

Souvanna's government. In recent weeks, there have been reports of growing friction between the strongly rightist military elements in the capital and some second-echelon neutralist leaders who deplore Souvanna's growing rapprochement with the conservative faction.

The military situation has remained generally quiet through the summer monsoon season, but small actions continue in widely separated parts of the kingdom. Rightist regular and guerrilla forces are continuing their limited offensive against Communist positions on Route 6 between Ban Ban and Samneua. Government forces there are receiving effective aerial support from Laotian T-28 and US jet aircraft. In southern Laos, along Route 92, Communist forces have mounted a clearing operation against government units threatening supply and infiltration routes supporting the Viet Cong operations in South Vietnam.

Despite these hopeful signs, however, factional rivalries run deep and will continue to pose a threat to the viability of

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SIHANOUK TO BEGIN EXTENDED TOUR NEXT MONTH

Prince Sihanouk intends to start an extended trip to several Communist and "friendly" capitals next month, but he apparently is not planning any new diplomatic initiatives.

Sihanouk has made it clear in public statements that his primary aim is to get additional economic and military aid. An advance Cambodian team, led by economic troubleshooter Son Sann, returned from Peiping this week claiming promises of increased Chinese economic assistance, including the construction of a 200-bed hospital. Sihanouk says that similar promises will be forthcoming from other countries on his itinerary, including the USSR, North Korea, and France.

Before previous visits to Peiping, Sihanouk warned that he would conclude new military or political agreements with Cambodia's Chinese "brothers" and that negotiations would be opened with the North Vietnamese and the Viet Cong's National Liberation Front, leading to diplomatic recognition. This time, however, he has been uncommonly reticent regarding political aspects of the trip.

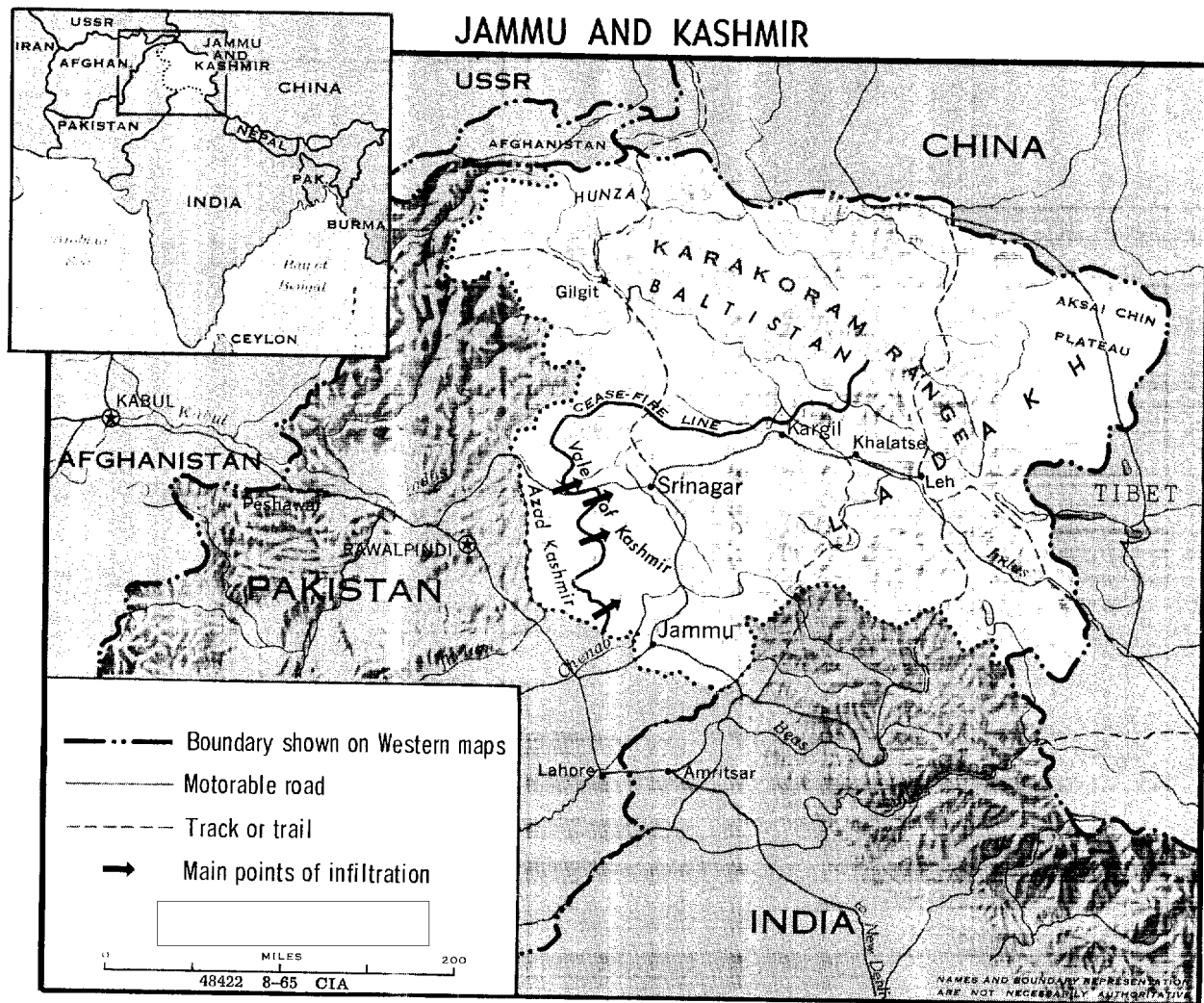
He has not addressed himself to the recognition problem, and his plans do not call for a stopover in Hanoi, although he is visiting almost all of the Communist capitals.

For the past several months, Sihanouk has refrained from making any major political moves. His avenues of diplomatic maneuver--a game in which Sihanouk fancies himself without peer--have been severely circumscribed by the break in relations with the US and by Peiping's and Hanoi's refusal to back an international conference on Cambodia or South Vietnam.

Sihanouk probably has also calculated that Cambodia's accommodation with the Communists has gone about as far as it can without significantly increasing the danger of South Vietnamese and US retaliation. The specter of a punitive South Vietnamese expedition into Cambodia continues to haunt Sihanouk. This fear is reflected in his extreme sensitivity to recent remarks by US and South Vietnamese officials regarding the problem of Viet Cong sanctuary.

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SPORADIC FIGHTING CONTINUES IN KASHMIR

Indian forces continue to engage Pakistani-trained infiltrators in Kashmir after two weeks of sporadic fighting.

Clashes along the Cease-fire Line near Kargil have resulted in Indian reoccupation of several key posts on the Pakistani side of the line. These posts command India's sole road link between Srinagar and Indian forces deployed against the Chinese in Ladakh and were occupied briefly by the Indians during the Rann of Kutch crisis in May and June.

Pakistan continues to deny its complicity in the raids. The Indians, however, have released statements allegedly obtained from prisoners describing their training program at Murree in Pakistan. The Indians claim that some 2,800 men, many of them drawn from Azad (Free) Kashmir units attached to the regular army, were trained under the direction of Pakistan's 12th Division commander.

The apparent success of Indian forces in meeting the threat posed by the infiltrators, together with the guerrillas' inability to arouse significant support from the Kashmiri populace, may have reduced political pressures on Shastri to retaliate. Demands for such countermeasures among parliamentarians assembling in New Delhi for the current parliamentary session were much less intense than at the height of the April-June Kutch crisis. However, continued harassments by Pakistani-supported forces could raise the tempo of demands in New Delhi for reprisal.

Thus far, India's political reaction has been limited to canceling the Indian-Pakistani foreign ministers' meeting scheduled for today in New Delhi as part of the Rann of Kutch agreement. However, the two countries have apparently agreed to fall back on another provision of the agreement, calling for the appointment of an arbitration tribunal of foreign jurists if negotiations by the foreign ministers should fail.

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AFGHANISTAN EXPERIMENTS WITH UNIVERSAL SUFFRAGE

On 26 August Afghanistan will begin nationwide elections for its new 302-seat parliament, featuring for the first time universal suffrage and the secret ballot.

The elections are the second phase of the government's cautious program--now two years old--to liberalize and modernize the Afghan political system. The first phase was concluded

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when a new constitution was adopted in October 1964, converting Afghanistan to a constitutional monarchy, with a bicameral parliament and a cabinet responsible to the lower house. The lower house is being elected directly by the people. One third of the members of the upper house are chosen by the people, one third appointed by the King, and one third picked by the provincial assemblies.

The new constitution also provides for the separation of the judicial and executive powers and declares members of the royal family ineligible to hold high government office.

There is as yet no organized opposition to the reform program, but there are undercurrents of discontent that may hamper its successful implementation. A major hurdle to re-

form is the general mistrust of governmental action that runs throughout Afghanistan's illiterate tribal society. Another is division within the royal family. The King is mindful of the fate of ex-King Amanullah, who was exiled in 1929 when he tried to introduce too much progress too quickly.

The present Afghan Government intends to keep a tight rein on political developments, at least in the transitional period. The King and his supporters have moved to ensure the election of a parliament favorable to government policies by influencing the choice of candidates. Moreover, the candidates, whose access to radio and the press is controlled by the government, will not be allowed at the outset to form political parties. Parties are envisaged as a later phase of the program.

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NASIR AND FAYSAL MEET ON YEMEN

President Nasir will go to Saudi Arabia on 21 August to talk about peace in Yemen. Intermittent negotiations between Egypt and Saudi Arabia have been dragging on for almost a year, but this will be the first private meeting between the two leaders since last September.

Both parties have been strengthening their bargaining positions. Nasir has maintained a threatening military posture on the Yemen - Saudi Arabian border and King Faysal has sponsored a Yemeni republican-royalist con-

clave designed to give the impression of bringing the opposing Yemeni sides closer together. Furthermore, the Egyptians are apparently making a major effort to fill the Middle Eastern press with Nasir's role as a peace-maker. Such a tactic may be intended to pave the way for a peace settlement and troop withdrawal by Egypt. However, it could also be used to justify Nasir's following up his threat to strike at Saudi Arabia should the peace talks fail.

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GREEK KING NAMES NEW PREMIER-DESIGNATE

King Constantine has given former interior minister Elias Tsirimokos the mandate to form a new government in his latest attempt to solve the month-old government crisis.

The King is determined to find a government not under the control of former premier Papandreou. The choice of Tsirimokos, who has had ties with left-wing and Communist-front organizations, illustrates how far the King is willing to go.

Tsirimokos' chances of obtaining a vote of confidence are uncertain. However, the mandate was probably given with the hope that additional support in Parliament will be picked up before a vote of confidence takes place. Tsirimokos has announced that he will appear in Parliament early next week to ask approval for his program. He will need 151 votes to win a vote of confidence if all 300 deputies are present.

Papandreou has condemned the choice of Tsirimokos and has forecast his failure to obtain parliamentary approval. During a speechmaking tour of the country scheduled to begin this week end, Papandreou will continue to demand that the King either return the mandate to him or call new elections.

Former deputy premier Stephanopoulos, who joined Tsirimokos in declaring himself an "independent" in Parliament early this week, has announced he will not participate in the Tsirimokos cabinet, but will give his full support to the drive for parliamentary approval. He had been asked by the King last week to accept an exploratory mandate but failed to win support of Papandreou's Center Union deputies.

Even if Tsirimokos should receive a favorable vote in Parliament, it is questionable that his government would survive very long in view of Papandreou's present widespread popular support.

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ALGERIANS PRESSING FOR AFRO-ASIAN CONFERENCE

The Algerian Government is making a massive effort to line up support for the rescheduled Second Afro-Asian Conference on 5 November. About 20 countries have indicated a willingness to attend, but not much enthusiasm is apparent, and Algiers fears the meeting may be scuttled again.

Foreign Minister Abdelaziz Bouteflika has been the prime mover behind the conference since the ouster of Ben Bella. He is concerned that Ghanaian President Nkrumah's request that a scheduled African summit meeting be moved from September to 21 October is an attempt to undermine if not take over the larger conference. Bouteflika has personally visited Mali, Ghana, and Guinea--countries which received the Ben Bella overthrow with reserve--with apparently little success either in lining up firm support for his conference or in persuading Nkrumah to put off the African meeting until December.

Two or three other high-level Algerian delegations are touring Africa, and another will swing through the Middle East later this month. Minister of State Rabah Bitat--who represented Algeria at Indonesia's 17 August independence celebrations--will presumably discuss conference plans when he tours Communist China and Pakistan.

Indonesia, China, and Pakistan have also pressed hard for the new conference. The Indonesians apparently regard the proposed meeting as a springboard to the Conference of New Emerging Forces (CONEFO) scheduled for Djakarta in mid-1966. Sukarno probably still favors Algiers as the Afro-Asian conference site. During a recent African tour his foreign minister probably probed for reactions to a change of locale, but presumably concluded there was no consensus in favor of a shift.

The reverse Peiping suffered in the original postponement of the conference was probably less severe than the Indians and a number of Western observers initially believed. Peiping's subsequent actions indicate that the Chinese still hope to accomplish in November what they were unable to do in June: that is, to use the conference as a forum for strengthening their claims to leadership of the "emerging forces" and obtain a strong resolution denouncing US policies in Vietnam.

Although Peiping is likely to put increasing pressure on Afro-Asian nations to attend the November meeting, the Chinese apparently now recognize that there is sentiment for postponing the conference again, and will probably seek to avoid a repetition of the embarrassing and unsuccessful last-ditch struggle they put up in Algiers last June.

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Europe

UK AVIATION INDUSTRY FACES MAJOR DECISION

The question of the future orientation of the British aircraft industry lies at the root of the difficult decision now facing the British Government whether to purchase French Mirage IV aircraft, rather than the US F-111. Although government and aviation circles generally agree that Britain cannot maintain an independent aircraft industry, there is no consensus on whether it should turn to the US or to Europe for cooperative projects. Strong pressures on both sides are being brought to bear on the government.

The Ministry of Defense and the services urge purchase of US planes such as the F-111, to replace the canceled British TSR-2. They point out that this would give the services the best available performance characteristics in the quickest time and that it might be possible, in turn, to sell the US specialized aircraft components such as electronic equipment, ejector seats, and some types of engines.

The aircraft industry, on the other hand, feels it has a better chance of survival by cooperating with European firms. Industry spokesmen contrast the failure to obtain production-sharing and cooperative sales agreement on US-UK - developed projects with the more equitable

arrangements made with France for such projects as the Concorde supersonic transport and other supersonic aircraft. The industry is supported by the Ministry of Aviation [redacted]

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[redacted] This view also is reinforced by those who, for political reasons, want British ties with Europe strengthened.

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France apparently is trying to present Britain with an either/or choice between Europe and the US. When Britain decided last February to buy US Phantom and Hercules aircraft, the French press speculated that there was little left for Anglo-French programs after Britain had committed the major share of its aircraft expenditure through 1975 on US planes.

The decision between the Mirage IV bomber and the F-11 fighter-bomber is being represented by France as the "test case" of British sincerity in wanting Anglo-French cooperation. The Mirage IV's cheaper price, and its compatibility with the Rolls Royce Spey engine produced by the British Aircraft Corporation, add to the attraction of the French plane. [redacted]

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WEST GERMAN BUNDESTAG

ELECTION RESULTS (PERCENT OF VOTE)					PRESENT COMPOSITION 499 SEATS
Other	24%	13%	7%	3%	242
Christian Democratic Union / (CDU/CSU) Christian Social Union	31%	45%	50%	45%	191
Social Democratic Party (SPD)	29%	29%	32%	36%	66
Free Democratic Party (FDP)	12%	10%	8%	13%	
German Party (DP)	4%	3%	3%	3%	
	1949	1953	1957	1961	AUG 1945

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WEST GERMAN ELECTION CAMPAIGN

Public opinion polls continue to indicate a very close race in the West German national elections on 19 September.

The Social Democratic Party (SPD) seems to have its best chance of victory since 1949, but there is still a relatively large number of undecided voters, many of whom presumably will opt for the Christian Democratic Union (CDU) as the symbol of 16 years of prosperity and social progress.

The three major parties are conducting their campaigns for the 496 Bundestag seats in accordance with a "fairness agreement" which restricts the tactics to be employed and limits campaign expenditures to about \$4 million per party.

The estimated 38.5 million eligible voters will use a double ballot--one vote for a specific candidate and one for a party list. Each of the 248 electoral districts will send a directly elected representative to the Bundestag; the other 248 seats will be filled from party lists according to a proportional allocation system.

Most informed observers still expect the CDU to win, but by a narrower plurality than in 1961. This would throw open the question of renewing the CDU's coalition with the small Free Democratic

Party and generate increased pressure for a "grand coalition" with the SPD--a move already rejected by Chancellor Erhard but viewed with considerable favor by some other CDU leaders.

In view of the large measure of agreement between the CDU and SPD on foreign policy, the stress thus far has been on domestic issues. Even here, the SPD is hard pressed to avoid a "me-too" stance. Having worked hard to establish the image of a moderate reformist party purged of Marxist dogma and pledged to preserve the basic structure of the economic system, it is anxious to avoid alienating uncommitted voters by proposing radical programs. The issues available--the need to "modernize," to expand education and scientific research, and to reform the tax structure--are hardly likely to capture the imagination of the voters.

Faced with this handicap, Brandt and the SPD are turning to foreign policy matters, particularly those directly affecting Germany. The leadership has promised the electorate that a government controlled by the SPD would provide movement toward reunification and, in addition, pursue a more "confident" German policy by not blindly following the lead of Washington or Paris on all questions.

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EUROPEAN MONETARY DEVELOPMENTS

Despite recent developments, Continental bankers and financial officials remain cautious about any changes in the international

monetary system. They see little immediate threat of a critical lack of world liquidity. They suspect that an international monetary

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conference would be "technically unwieldy" and that its first concern might be to find additional support for sterling. Furthermore, they fear to entrust changes in the system to a forum in which their conservative views might not predominate.

These attitudes have prevailed in the European reactions to Secretary Fowler's statement last month that the US is willing to participate in an international monetary conference. Initial comments of European officials indicated "surprise" over the lack of prior consultation with the advanced industrial countries which constitute the Group of Ten.

The principal concern of EEC officials attending a Monetary Committee meeting prior to a 3-4 August session of the Group of Ten was to ensure a paramount role for the Group in any preparatory conference on new international arrangements. The officials suggested that the interests of "third countries"--primarily less-developed countries--be represented by the IMF.

The French, despite their earlier expressions of interest in new monetary arrangements, have been notably cautious on the new US position. They nevertheless have followed closely--in absentia--the last two EEC Monetary Committee meetings and have consulted individually with their EEC partners on the issues before the Group of Ten.

Expectation of a possible sterling crisis this fall persists despite Prime Minister Wilson's determination to maintain the exchange rate, the recently announced improvement in British trade figures, and the rumors of promised US support for the pound. The question of continental solidarity in the face of such a situation will probably be a test of European attitudes toward participation in international reform moves in general.

In late July, French Foreign Minister Couve de Murville admitted that, of the "two crises" in Europe, France was most concerned with the sterling situation.

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Western Hemisphere

NEGOTIATIONS FOR DOMINICAN SETTLEMENT CONTINUE

Negotiations to end the Dominican impasse are continuing as the OAS attempts to satisfy rebel objections without sacrificing the principles of its proposals. Prolonged discussions were conducted to ease fears among the rebels that dismantling of their zone would result in an "invasion" by the Inter-American Peace Force. A detailed memorandum will probably have to be worked out specifying how the zone would be abolished and rebel militants disarmed.

The rebels have agreed "in principle" to leave the makeup of the military to the provisional president, who will most likely be Hector Garcia Godoy. They are trying, however, to get prior agreement from Garcia Godoy to let all rebel military personnel rejoin the armed forces and to remove the present high command. Another issue that appears far from settled is the length of time the IAPF will remain in the country.

Discussions paused in mid-week after the rebels charged the OAS with imposing a solution and asked the UN to enter the negotiations. The OAS Committee called off a meeting with the rebels, saying it could

not negotiate when faced with these tactics. The rebel UN representative withdrew his request for a Security Council meeting, which had been supported by the Soviets, possibly because of the OAS reaction.

There has been no indication that Imbert will sign the Act of Reconciliation if it is substantially changed to conciliate the rebels. One member of Imbert's Government of National Reconstruction (GNR) reiterated that the regime will sign the act only if it is not changed.

GNR military leaders expressed concern over delay in reaching a settlement because it gives extremists among the rebels time to consolidate their positions. The army chief even proposed that Garcia Godoy take office without rebel agreement, a step he has been reluctant to take without at least some support among relative moderates in the rebel camp. The OAS has reassured the military leaders that Garcia Godoy recognizes the Communist problem and has plans to handle it.

Meanwhile, Caamano, speaking on 16 August, called for a

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united front to oppose the US presence and the Dominican oligarchy. Caamano said that because all rebel demands might not be met through negotiations, a "united democratic front" should be organized to continue the political struggle for the revolution's fundamental objectives. Caamano's appeal was consistent with the Dominican Communist Party (PCD) line.

The PCD continues to attempt to unify all Dominican

Communists into one party, an effort that may in part be motivated by concern over the growing influence of other extremist groups. Little has been accomplished in a series of informal meetings with the Peiping-oriented Dominican Popular Movement and the pro-Castro 14th of June Group, however, and the PCD's recent advocacy of a policy of armed insurrection may be a further attempt to appeal to the other two groups.

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PERU PUSHES ANTIGUERRILLA ACTION

Government forces, reacting to the 9 August attacks by the Castroite Movement of the Revolutionary Left (MIR) in Junin Department, are conducting vigorous counterinsurgency operations there. The Peruvian Air Force has carried out at least eighteen bombing sorties against the guerrillas, using locally made napalm. The napalm exploded properly, but results of the air attacks are unknown.

Army rangers are making a sweep to the southwest from the village of Kubantia, scene of last week's fighting, in an attempt to locate the guerrillas. Other troops are working northward toward the rangers' area of operations.

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No large-scale clashes between government forces and guerrillas have occurred this week.

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No further incidents have been reported from southern Peru. The government had feared that destruction of a bridge in Cuzco Department on 31 July marked the beginning of a new MIR front.

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POLICE RAID GUATEMALAN COMMUNIST INSTALLATIONS

Guatemalan security forces have dealt severe blows to the Communist Party (PGT) apparatus in the capital. A raid on the PGT leadership school on 15 July uncovered lists of names and the addresses of other party sites. In a series of follow-up raids, authorities confiscated large quantities of propaganda, printing equipment, a pickup truck, and caches of arms and ammunition. Two terrorists were killed, and a number of party members were arrested, including central committeeman and candidate for secretary general, Alfredo Guerra Borges.

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The party expects to replace lost equipment and to be functioning normally in about a month.

Meanwhile, the PGT has not been able to follow through on plans to sabotage US official and commercial installations and to attack Guatemalan Government officials.

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The serious fire of 12 August in the hold of a ship anchored at Puerto Barrios and loaded with cargo from New Orleans may have resulted from PGT sabotage.

In the past, when the government has scored major successes against party terrorists, the PGT has been fairly quick to order violence against police agents or high government officials. Despite the damage done to the PGT this time, Communists may be expected to strike back, encouraged by increasing public expression of dissatisfaction with the incumbent regime.

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INTEREST IN CANAL NEGOTIATIONS INCREASING IN PANAMA

The arrival of the US Canal Study Commission on 19 August is likely to add new fuel to Panamanian impatience with the status of the present canal.

Former negotiator Jorge Illueca, an ambitious, clever ultranationalist, had already taken the position that the commission should not be allowed to conduct studies for a sea-level canal in the country as long as "Panamanian demands" have not been met and the 1903 Hay-Bunau Varilla Treaty has not been "definitely canceled."

During an hour-long radio interview on 12 August, Illueca charged that the Robles regime has no clearly defined position on a sea-level canal and reiterated an earlier charge that the government's views do not reflect Panamanian consensus. He alleged that the negotiations lack popular support because no one knows what is being done. Illueca pointed out that the country's largest political party, Arnulfo Arias' Panamenista Party (PP), is not represented on the negotiating team.

In recent private conversations with US officials, several Panamanian leaders have exhibited anxiety over public demands that the Robles government provide tangible evidence of progress in the negotiations. Last month

former foreign minister Galileo Solis stated that although he was confident Washington would deal fairly with Panama, the US probably could not agree to changes as sweeping as many Panamanians expected. Solis feels it is essential that President Robles undertake a careful public relations campaign to prepare the people and the National Assembly to accept a "realistic" agreement.

Government spokesmen have said only that they are engaged in complex and delicate negotiations which cannot be conducted in public. They do admit that progress is slow but aver that this is in the best interests of Panama. Foreign Minister Eleta is said to be planning a series of background briefings on the negotiations for Panamanian news representatives. His degree of success in evincing evidence of progress will be important for Robles in the coming weeks.

When the National Assembly reconvenes in October, the government will face increasing pressure to demonstrate that it has been able to wrest concessions from the US. Failure to do so could provide Communists and extreme nationalists with a ready-made issue to discredit Robles and attack his domestic program.

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